

Message Text

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PAGE 01 STATE 017339

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FOLLOWING REPEAT OTTAWA 00264 ACTION SECSTATE INFO MONTREAL
24 JAN 77.

QUOTE LIMITED OFFICIAL USE OTTAWA 0264

POUCHED ALL OTHER AMCONSULS CANADA

E.O. 11652: N/A

TAGS: EINV, CA

SUBJECT: FOREIGN INVESTMENT REVIEW DECISIONS

1. SUMMARY: GORDON DEWHIRST, FIRA RESEARCH DIRECTOR, RECENTLY GAVE EMBOFF LATEST COMPOSITE FIGURES ON TAKEOVERS AND NEW BUSINESS PROPOSALS. BREAKDOWN OF COMPOSITE FIGURES SHOWS ALLOWANCE/DISALLOWANCE RATION FOR TAKEOVERS ABOUT 5 TO 1 FOR PREVIOUS FISCAL YEAR AND ABOUT 8 TO 1 CURRENTLY. ABOUT 11 TO 1 RATIO FOR NEW BUSINESS PROPOSALS PRESENTLY EXISTS, BUT COMPARISION WITH PREVIOUS FISCAL YEAR IMPOSSIBLE. DEWHIRST ALSO INDICATED THAT ITC MINISTER JEAN CHRETIEN, IMPATIENT WITH BUREAUCRATIC REVIEW PROCESS, IS CAUSING MORE PROPOSALS, "TO BE DEEMED ALLOWED," AND FIRA IS ATTEMPTING SPEED UP SCREENING PROPOSALS. END SUMMARY.

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PAGE 02 STATE 017339

BEING UNCLASSIFIED

2. DURING DISUSSION WITH EMBOFF, GORDON DEWHIRST, RESEARCH DIRECTOR OF FIRA, GAVE FOLLOWING COMPOSITE FIGURES ON INVESTMENT PROPOSALS HANDLED BY HIS AGENCY SINCE APRIL 1974:

	ACQUISITIONS	NEW BUSINESSES
REVIEWABLE PROPOSALS	440	207
(OF WHICH)		
ALLOWED	280	123
DISALLOWED	48	10
WITHDRAWN	52	18
UNDER REVIEW	60	56

3. FOR COMPARATIVE PURPOSES, EMBASSY HAS PREPARED FOLLOWING CHARTS USING PREVIOUS FIR ANNUAL REPORTS:
FOR FY 75/76 (ENDING MARCH 31, 1976):

	ACQUISITIONS	NEW BUSINESSES
PROPOSALS RESOLVED	153	6
(OF WHICH)		
ALLOWED	110	4
DISALLOWED	22	
WITHDRAWN	21	2

FOR FY 76/77 (UP TO JAN. 14, 1977):

	ACQUISITIONS	NEW BUSINESSES
PROPOSALS RESOLVED	146	145
(OF WHICH)		
ALLOWED	120	119
DISALLOWED	14	10
WITHDRAWN	12	16

4. THUS, IN FY 75/76 RATIO OF ALLOWED TO DISALLOWED
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PAGE 03 STATE 017339

TAKEOVERS WAS 5 TO 1, AND IN FY 76/77 SO FAR, RATIO IS
RUNNING AT OVER 8 TO 1. NO SIMILAR COMPARISONS CAN
BE MADE FOR NEW BUSINESSES, WHICH ARE CURRENTLY AT
ABOUT 11 TO 1 RATIO, SINCE PHASE II OF ACT DID NOT COME
INTO FORCE UNTIL OCTOBER 1975. DEWHIRST THOUGHT,
HOWEVER, THAT TOTAL MEMBER OF FOREIGN NEW BUSINESSES
BEING OPENED IN CANADA WAS ABOUT AT SAME LEVEL
OBTAINING BEFORE OCTOBER 1975.

5. OF 440 TAKEOVER PROPOSALS REVIEWED SINCE
APRIL 9, 1974, 286 CAME FROM U.S. INTERESTS (OR
ABOUT 65 PERCENT). HOWEVER, OF 207 NEW BUSINESS
PROPOSALS FOR REVIEW ONLY 93 CAME FROM U.S. INTERESTS
(OR 45 PERCENT). DEWHIRST SAID HE DIDN'T KNOW WHAT
CONCLUSIONS HE WOULD DRAW FROM THIS, BUT HIS RESEARCH
GROUP WOULD STUDY SITUATION.

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6. WHEN EMOBFF ASKED DEWHIRST ABOUT LARGE NUMBER OF "DEEMED TO HAVE BEEN ALLOWED" PROPOSALS RECENTLY, DEWHIRST SAID THAT HE HAD NO CURRENT BREAKOUT OF NUMBER OF SUCH PROPOSALS, BUT HE DID AGREE THAT NUMBER HAD INCREASED SUBSTANTIALLY. THIS SITUATION DUE, ACCORDING TO DEWHIRST, TO ITC MINISTER CHRETIEN'S "IMPATIENCE" WITH SYSTEM. DEWHIRST SAID CHRETIEN WANTS REVIEW PROCESS, EXCEPT FOR VERY COMPLICATED CASES, TO TAKE ONLY 60 DAYS, AND HE DOES NOT BELIEVE THAT HE MUST WAIT FOR ALL GOVERNMENT AGENCIES TO MAKE RECOMMENDATIONS BEFORE HE MOVES PROPOSAL TO CABINET.

7. DEWHIRST SAID THAT IN LINE WITH CHRETIEN'S THINKING, FIRA IS SHORTENING ITS APPLICATION FORMS, HAS PREPARED NEW INTERNAL REGULATIONS FOR HANDLING SMALL BUSINESSES, AND IN GENERAL IS MAKING REVIEW LIMITED OFFICIAL USE

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PAGE 04 STATE 017339

PROCESS MUCH LESS TIME-CONSUMING.

8. COMMENT. EMOBFF RECEIVED DISTINCT IMPRESSION FROM DEWHIRST THAT CHRETIEN IS SHAKING UP BUREAUCRACY AT FIRA AND, UNLIKE PREVIOUS ITC MINISTERS, CHRETIEN WANTS FIRA TO BE REAL SCREENING AGENCY, NOT BUREAUCRATIC BLOCK TO FOREIGN INVESTMENT.

9. SENSING NEW ATMOSPHERE AT FIRA, TORONTO STAR OF JANUARY 22 CARRIED FRONT-PAGE ARTICLE GENERALLY CRITICIZING CHRETIEN APPROACH AND CLAIMING CHRETIEN PROPOSING AMENDMENTS TO INVESTMENT ACT WHICH WOULD "PULL TEETH" OF FIRA. REPORTER MAINTAINED CHANGES WOULD EXEMPT ALL BUT BIGGEST REAL ESTATE DEALS FROM SCREENING PROCESS, PROVIDE QUICKER HANDLING OF SMALL COMPANIES, AND CONSOLIDATE FIRA APPLICATION FORMS. WITH TYPICAL STAR BIAS, REPORTER CONCLUDES THAT "WELCOME MAT IS NOW OUT FOR FOREIGN INVESTMENT," AND "GONE ARE GALLANT WORDS OF ... ALASTAIR GILLESPIE, WHO SPOKE THREE YEARS AGO OF A CANADA 'MORE THAN A MERE APPENDAGE OF FOREIGN CORPORATE GIANTS.'"ENDERS UNQUOTE VANCE

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